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SUBJECT: SECRETARY CHU MEETS WITH VICE PREMIER LI KEQIANG

1.(U) This cable is Sensitive but Unclassified (SBU) and for official use only. Not for transmission outside USG channels.

¶2. (SBU) Summary: Chinese Vice Premier Li Keqiang, after taking a moment to officially state China's position on the recent violence in Urumqi, reaffirmed to Energy Secretary Chu China's commitment to energy conservation and protecting the environment. He added, however, that as a developing nation, China had to prioritize economic development. Li stated that developed countries should take the lead in cutting emissions and transferring technology and reiterated the need to proceed under the principle of common but differentiated responsibilities. Chu acknowledged China's circumstances, applauded its progress to date, and asked Li to further publicize Chinese efforts to help combat U.S. skepticism about China's commitment to energy conservation. Li did not directly respond to Chu's suggestion that China send climate negotiators to the upcoming Strategic and Economic Dialogue, and instead countered with his hopes for progress at the Copenhagen Climate Conference. Li said that China welcomed more technology transfer and Chu said that the U.S. was working to bring down the cost of CSS and other technologies. End summary.

¶3. (SBU) On July 16, U.S. Secretary of Energy Steven Chu met with China's Vice Premier Li Keqiang. Li opened the meeting by observing that, since the beginning of the Obama administration, there was new momentum in the bilateral relationship and a great opportunity to work together on climate change as developed and developing countries. He said that he was happy with the progress in the preparations for the Strategic and Economic Dialogue and pleased to know that Chu himself would be attending.

¶4. (SBU) Li then presented China's position on the situation in Urumqi where "serious acts of premeditated violence have been committed by overseas separatists." He said that China, like any nation, must uphold the rule of law. He insisted that this was an internal Chinese affair and asked for U.S. support and understanding as China safeguarded its social stability and territorial integrity. He also said that U.S. support on this issue was important for future collaboration on counterterrorism. He ended by saying that U.S.-China cooperation should be "all-dimensional."

¶5. (SBU) Chu stated that the purpose of his visit was to find ways to cooperate to develop new technologies to reduce carbon emissions. He said he was very encouraged by how much China had moved forward in promoting energy efficiency and cleaner forms of energy. Chu said that he hoped to work together specifically on increasing building

efficiency, on using coal reserves in a cleaner way and on creating more efficient cars. The U.S. and China paralleled each other in that both are big oil importers and both have similar goals to decrease oil consumption. Chu reiterated that the Obama administration has aggressive goals in improving energy efficiency and Americans are trying to achieve this by driving less, driving more efficient cars, developing electrified cars and developing fourth-generation biofuels.

¶6. (SBU) Li insisted that cooperation was very important and that Chu's trip to China would greatly contribute to the effort. He acknowledged Chu's comment that the United States and China parallel each other as great consumers of energy but specified that there were differences between the two countries as well. China, as a populous country with a weaker economic foundation, must focus on its economic development. Nonetheless, he asserted that China is committed to attaining this development in an energy efficient and environmentally friendly manner. He insisted that conservation was a priority in China's development strategy because Beijing did not believe a development model predicated on massive energy consumption was sustainable.

¶7. (SBU) Li detailed the following steps the Chinese government has taken to raise energy efficiency:

- * Closing coal fired plants which consume 400g coal per kWh and designating supercritical coal plants that reduce coal consumption to about 280g per kWh. China is disseminating this technology as widely as possible and closing inefficient plants as they bring on the more efficient ones.
- * Promoting IGCC technology despite its high cost.
- * In 2005, the Chinese government formulated a program to reduce energy consumption by 20% in 5 years and the goal is already within

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reach. Scientists have calculated a reduction of 600-700 million tons of coal annually from this program.

- * Promoting clean energy technologies. Although the current ratio is modest, the goal is to raise the clean energy ratio to 15% or more of the energy mix by 2020.
- * Requiring the removal of particulates, sulfur and nitrogen from coal plant emissions (which account for 70% of China's energy mix) and supporting technologies related to carbon capture and storage.

- * Supporting the development of electric vehicles and related enterprises.
- * Increasing the cost of fuel to discourage its consumption. China's fuel tax makes auto fuel more costly than in the United States.
- * Driving a new balance of electrical energy generation via China's five year plan. Currently nuclear power generates 25 million kilowatts per year and hydropower generates 170 million kilowatts per year. Both of these clean energy forms are being rapidly expanded.

¶8. (SBU) Li concluded that these efforts proved China's seriousness about a scientific approach to development and commitment to clean energy. However, he added that the two nations must continue to follow the principle of common but differentiated responsibilities. As China is still developing, most emissions are of the category of subsistence emissions and transfer emissions. He gave the example of China's production of 2 million kilowatts of solar photocells which create energy-conserving benefits for many nations but which are the result of an energy intensive production process carried out in China. He stated that in cutting emissions, developed countries should take the lead for historical reasons and due to their higher per capita consumption.

¶9. (SBU) Chu recognized that China had the right to become a prosperous country and supported the principle of common but differentiated responsibilities. He also acknowledged that as a services-centered economy, the United States had outsourced many of its energy intensive industries. Chu gave an overview of some of the positive steps the Obama administration had taken to revamp U.S. energy policy. In particular, he discussed the economic stimulus plan's focus on energy efficiency and clean energy. He also informed Li of the \$38.9 billion in additional funding DOE had

received to promote energy efficiency and clean energy. Chu explained that DOE is highly focused on research and development and supporting scientists. Chu admitted that the United States had not taken a strong leadership role on environmental issues in the past but reiterated that the current administration is deeply committed to decreasing its energy consumption and carbon footprint.

¶10. (SBU) Chu said that conveying to the U.S. public how serious China is about climate change was important to bilateral cooperation. The American people and Congress needed to be convinced. He explained that some Americans do not realize the risk of climate change and use the false perception that the Chinese are not making efforts to conserve energy as an excuse for U.S. inaction. He urged China to publicize all the impressive efforts he had learned about during his visit.

¶11. (SBU) Chu said that he hoped China would bring climate negotiators to the upcoming Strategic and Economic Dialogue. Li was non-committal, saying that the relevant departments were taking the necessary steps and stressing instead that he hoped for a positive outcome from the Copenhagen Climate Conference.

¶12. (SBU) Li said that the energy administrations of the two countries varied greatly. He said that China did not have as many resources, joking that National Energy Administration (NEA) Director ZHANG Guobao, who was also present at the meeting, would now be lamenting his modest budget. Secondly, he clarified that many different ministries were making their own efforts. For example, the Ministry of Housing and Urban-Rural Development was taking the lead on raising building efficiency. He also stated that large portions of China's economic stimulus package were being targeted at energy efficient companies. Though he provided no quantitative statistics, he stated that the plan greatly prioritized new energy and related technologies.

¶13. (SBU) In a final exchange, Chu asked Li to consider Carbon

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Capture and Storage (CSS) and said that the U.S. was committed to bringing down the price. Li said that China hoped for more technology transfer and wanted to work together on making CSS and other technologies more affordable.

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